

PROSPECH LIMITED
and its controlled entities

A.B.N. 24 602 043 265

FINANCIAL REPORT

FOR THE YEAR
ENDED 31 DECEMBER 2020

PROSPECH LIMITED
and its controlled entities

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PROSPECH LIMITED
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REVIEW OF OPERATIONS



Dear Fellow Shareholders,

2020 was a significant year for ('Prospech' or 'the Company'), following the successful completion of the Initial Public Offering ('IPO') and ASX listing in December. The \$5 million raised through the issue of 25 million Shares in the Company will enable the Company to undertake exploration activities on a scale warranted by the prospectivity of the Company's projects.

Listing at the onset of the European winter was always going to mean a pause before being able to launch a full exploration program on the ground. However, I'm pleased to be able to say that winter snows are clearing and drilling is now underway at the Zemplin prospect within the Cejkov-Zemplin exploration licence within the Eastern Slovakian neovolcanic belt. The drilling at Zemplin is the first stage of the 2021 exploration program, which will be drill testing multiple gold and silver targets through a minimum of 10,000 drilling metres. This includes drilling of the Anton gold silver zone at the Hodrusa Project, followed by drilling of the Krakauer vein system, the newly discovered, high grade epithermal silver and gold mineralisation within the in the area covered by the extension to the Nova Bana project granted in November 2020. Subsequent to that the plan is to drill into the major Detachment Fault (locally known as a Low Angle Normal Fault or LANF) at the Hodrusa Project, that the Company's geologists believe controls the gold deposit being exploited at the nearby, operating Rozalia Mine.

As I have noted previously the Company's exploration portfolio is entirely within Slovakia for good reason. Slovakia, is a member country of the European Union and the Eurozone, has a modern western legislation system, a regimented legal system, low wages, low tax rates and a well-educated labour force. Slovakia is an attractive jurisdiction for foreign investment and, equally importantly, Slovakia has a long, rich history of mining activities and remains a very supportive jurisdiction for exploration and mining activities. Whilst the mining history is long it is important to note that the Company's projects have not been subject to extensive modern mining exploration or exploitation techniques, particularly for gold and silver.

The Company's Board and management team has recently been strengthened, with John Levings moving to an Executive Director role with the Company and subsequent to the end of the year Steve Gemell, a very experienced and respected Mining Engineer, joining as a Non-Executive Director.

The Board and I look forward to the exploration program planned for 2021 with great anticipation.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Thomas Mann'.

Thomas Mann
Chairman

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REVIEW OF OPERATIONS

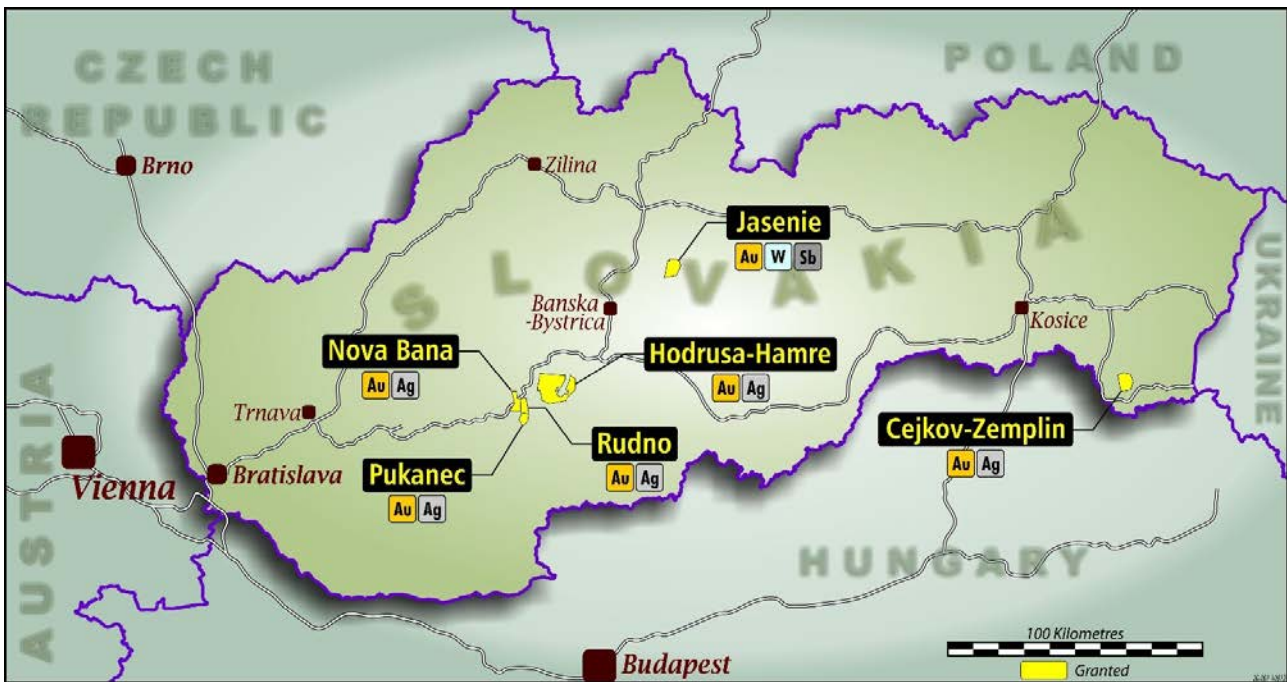
The Directors present their report together with the financial report of Prospech Limited ('the Company') and its controlled entities ('Prospech' or 'the Group'), for the year ended 31 December 2020 and the auditor's report thereon:

Principal Activities and Review of Operations

Introduction

The Company, through its wholly owned subsidiaries Slovenske Kovy s.r.o. ('SLOK') and Prospech Slovakia s.r.o. ('Prospech SK'), owns 100% of six exploration licences, covering approximately 204 km² in Slovakia:

- the Hodrusa-Hamre exploration licence;
- the Nova Bana exploration licence;
- the Rudno exploration licence;
- the Pukanec exploration licence;
- the Jasenie exploration licence; and
- the Cejkov-Zemplin exploration licence.



Location of the Company's projects.

Hodrusa-Hamre Exploration Licence

Located 200 kilometres east of Vienna, the 100% owned Hodrusa-Hamre exploration licence is approximately 102 km² and covers the majority of the Neogene Stiavnica Stratovolcano caldera within the Central Slovakian Volcanic Belt, the historic Hodrusa-Hamre/Banska Stiavnica mining district, and hosts some 120 gold-silver hosting epithermal veins with the major veins individually reaching a length of up to 6 kilometres.

One of the 120 vein systems was subjected to a seven hole drilling program in late 2020 to test the extension of a major detachment fault (locally known as a low angle normal fault or LANF) onto the Company's Hodrusa Hamre exploration licence. Mineralisation at the nearby operating Rozalia underground gold mine is controlled by the LANF, the surface trace of which falls mainly on the Company's Hodrusa Hamre exploration licence.

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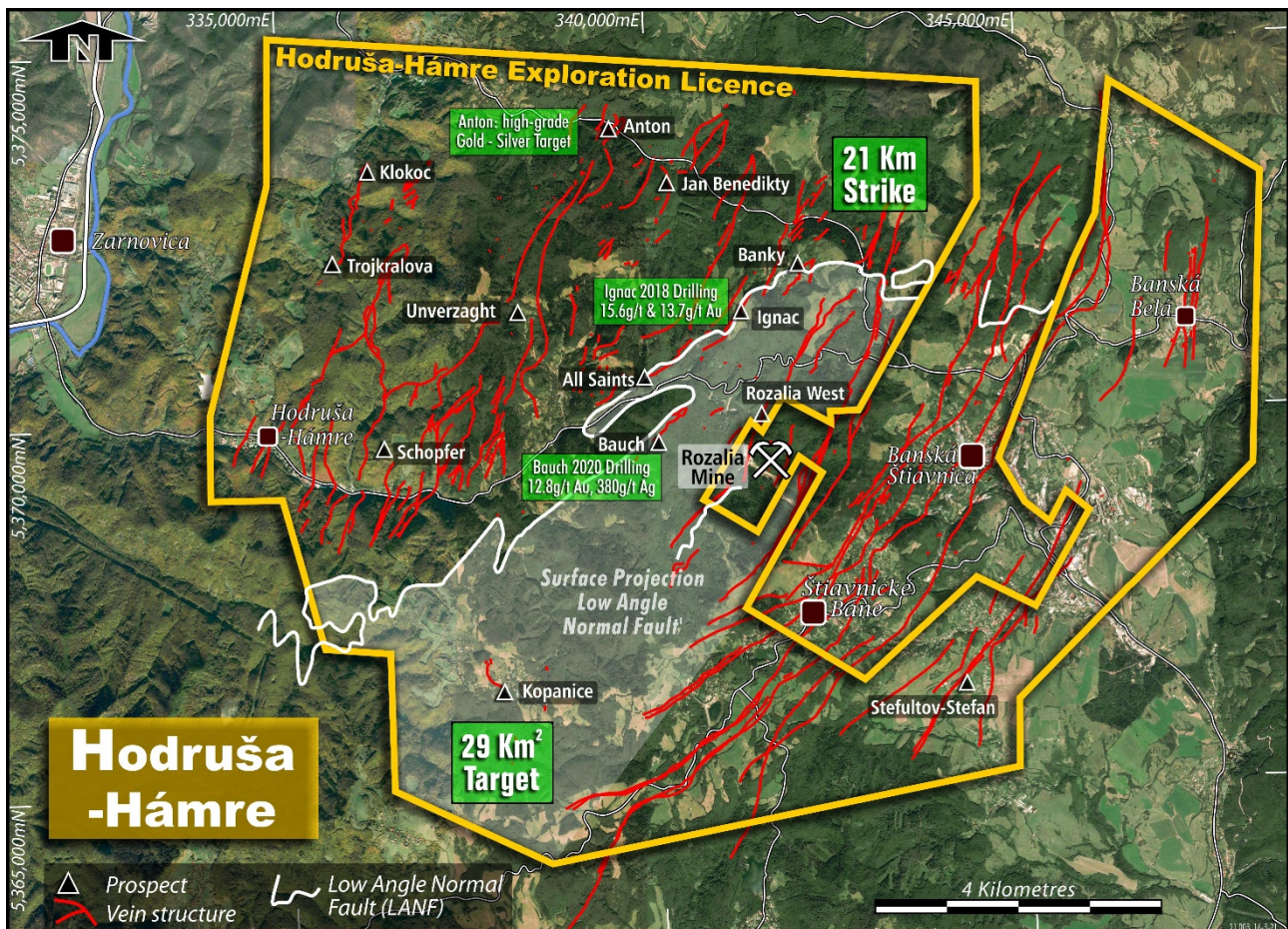
Hole BADD001 intersected high grade gold and silver mineralisation, precisely corresponding to the predicted position of the Bauch vein which was investigated in the past by historic tunnels and surface workings (see cross section below) and interpreted to be an extension of the LANF. The assays from BADD001 are consistent with results from rock chip sampling of the exposed lode in one of the shallow historical tunnels, which returned high grade gold and silver values (28.3 g/t Au and 582 g/t Ag). A nearby in-situ pillar sample assayed 11.4 g/t Au and 565 g/t Ag.

Other holes in the program intersected gold and silver mineralisation, the results of which are summarised below:

- **BADD001: 12.8 g/t Au and 380 g/t Ag (2.3% Pb, 1.4% Zn) from 89.1m to 90.1m**
- **BADD002: 0.9 g/t Au and 15 g/t Ag (0.4% Pb, 0.94% Zn) from 114.5m to 116.5m**
 - Incl. 2.1 g/t Au and 15 g/t Ag (0.1% Pb, 0.2% Zn) from 114.5m to 115.0m
 - Incl. 1.2 g/t Au and 43 g/t Ag (1.4% Pb, 2.5% Zn) from 116.0m to 116.5m
- **BADD003: 3.7 g/t Au and 74 g/t Ag (0.3% Pb, 0.7% Zn) from 88.8m to 89.5m**
- **BADD006: 151 g/t Ag (2.1% Cu, 6.5% Pb and 7.0% Zn) from 105.2m to 105.6m**
- **BADD006: 2.4 g/t Au and 11 g/t Ag (visible gold – Hanging wall Stockwork)**
- **BADD007: 70 g/t Ag (0.7% Cu, 6.9% Pb and 5.4% Zn) from 151m to 152m**

The results from BADD001 and BADD006 indicate the existence of at least one, near surface, high grade shoot, which will be a focus for follow-up drilling in 2021.

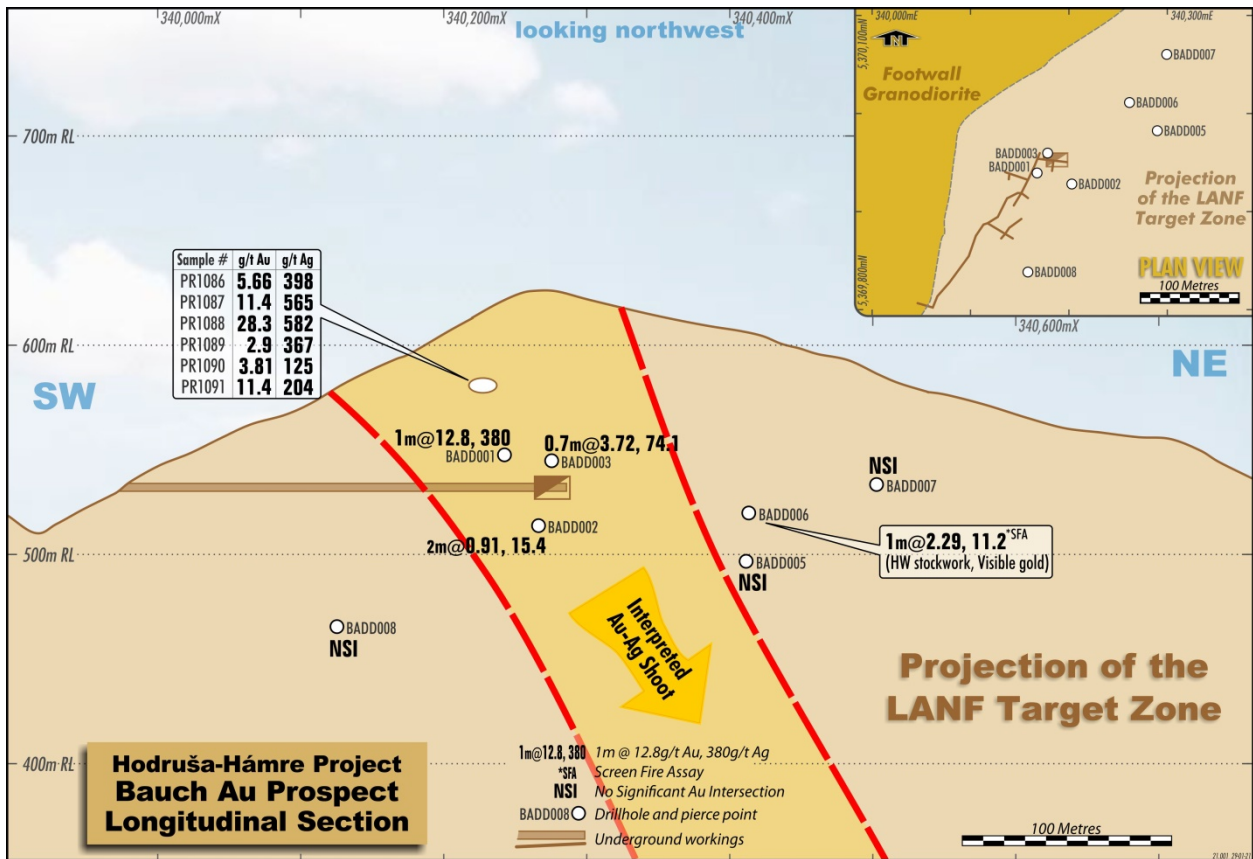
As can be seen from the map below, there are 21 kilometres of surface trace of the LANF on Prospech's Hodruša Hamre exploration licence, providing a 29 km² target area for exploration and discovery. Currently we are modelling a drill target review of the entire caldera to confirm the order of drilling from mid-March onwards.



Hodruša Hamre Exploration Licence showing the LANF surface projection and prospects.

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Bauch main vein longitudinal section depicting open gold silver 'shoot' (high grade zone within the plane of the vein structure).



Comparison of the mineralisation style from high grade in situ underground sample (PR1088, 28.3 g/t Au and 582 g/t Ag) and drill core in BADD001. This 0.5m section of the core assayed 17.2 g/t Au and 494 g/t Ag.

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Nova Bana Exploration Licence

The Nova Bana, Pukanec and Rudno exploration licences are a package of three, 100% owned, contiguous licences totalling approximately 45 km², situated on the western flank of the Hodrusa caldera.

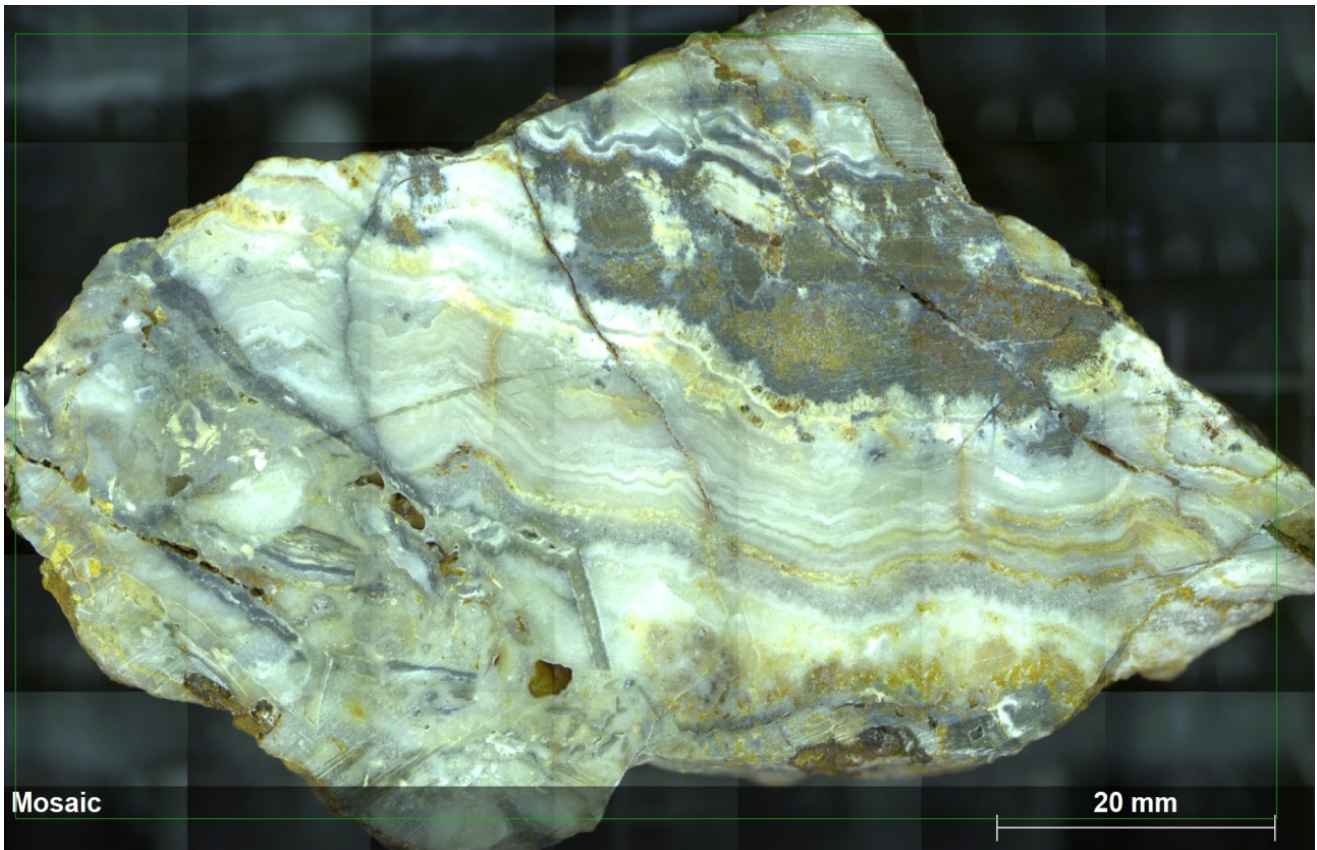
In November 2020, the Slovakian Ministry of Environment granted an extension to the Nova Bana exploration licence which captures the newly discovered, high grade epithermal silver and gold mineralisation within the Krakauer vein system.

Subsequent to the granting of the exploration licence extension, rock chip grab samples were collected from historical spoil heaps and have returned precious metals assays as follows:

Sample ID	East (m)	North (m)	RL (m)	Au (g/t)	Ag (g/t)
PR1420	325,203	5,364,988	285.9	283.0	1,700
PR1422	325,198	5,364,988	288.4	1.1	81
PR1425	325,197	5,364,987	288.6	3.1	39
PR1426	325,197	5,364,987	288.6	8.0	26

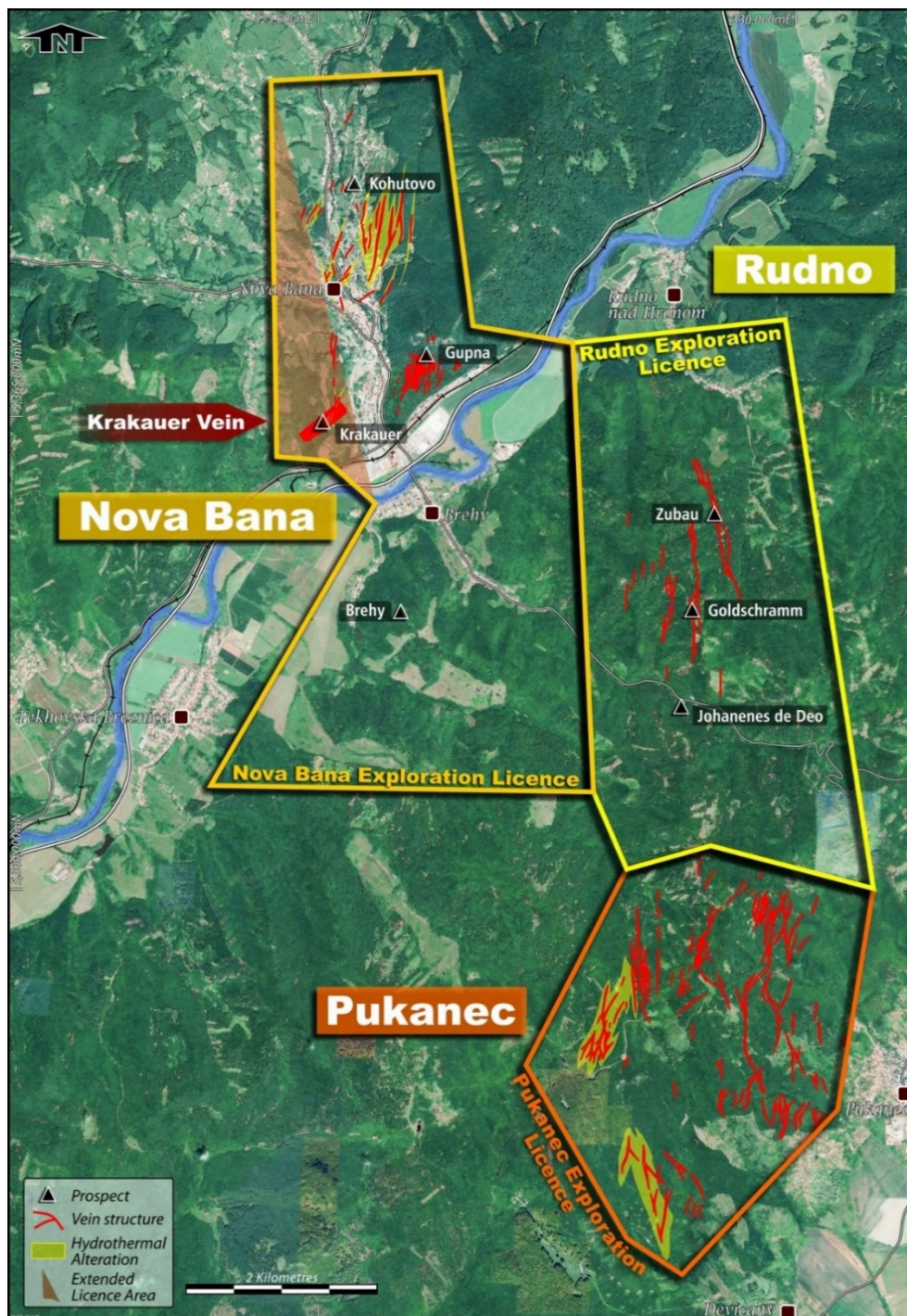
Krakauer rock chip sample results.

Micro-XRF scanning of sample PR1420 show clearly that the high grade gold and silver is concentrated within sulphidic zones and bands commonly known as 'ginguro' which are commonly associated with high grades of precious metals. Native gold and silver-sulphide minerals were observed in the hand specimens.



Sample PR 1420 (283 g/t Au and 1,700 g/t Ag) under natural light.

REVIEW OF OPERATIONS



Prospech's western exploration licences showing the extended Nova Bana area and the location of the Krakauer discovery.

It is commonly recognised that low sulphidation epithermal precious metal veins can be amongst the most productive systems globally.

Prospech proposes to carry out additional surface sampling and mapping of the Krakauer vein in preparation for diamond drilling early in the 2021 field season.

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Pukanec Exploration Licence

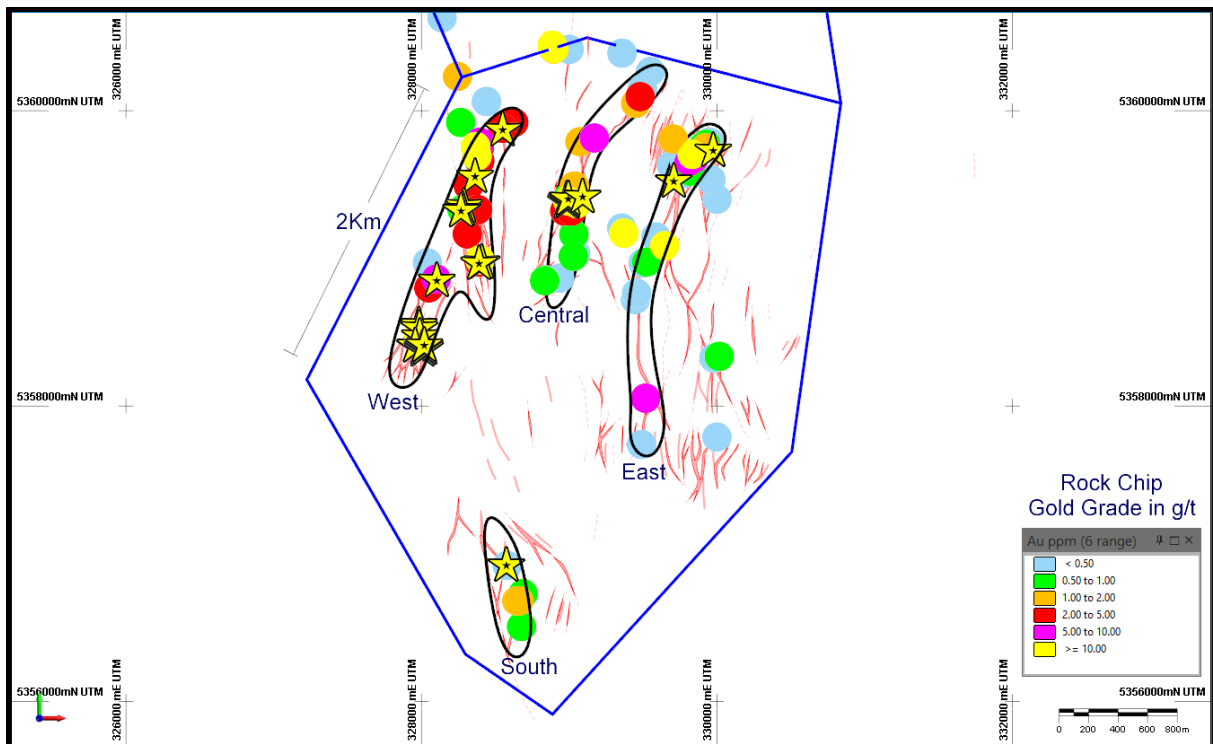
The western target zone at Pukanec exceeds 2 kilometres in strike length and has never before been drilled. The work carried out during 2020 has indicated that the Pukanec prospect and, the western zone in particular, is a very attractive drilling target for high grade gold and silver due to the high prevalence of visible gold in association with calcite veining.

During the 2020 summer field season, 18 rock-chip samples were collected from outcrop and spoil heaps. Of the 18 rock chip samples assayed, 8 returned gold grades over 1.0 g/t Au and, of these, the average was 12.1 g/t Au. Ten of the samples assayed greater than 40 g/t Ag and, of these, the average was 367 g/t Ag.

These results, along with previous rock chip assay results and observations of visible gold and silver sulphides in hand specimen, enhance exploration potential of the Pukanec prospect.

The first figure below shows the distribution of gold assays from rock chips collected by Prospech in recent months, along with occurrences of visible gold in hand specimens in the following figure.

The Company's maiden drilling program at Pukanec is scheduled for the 2021 field season. Focus will initially be on the Western and Central zones.



Pukanec Exploration Licence (blue boundary) showing the locations of rock sample assay results (large dots coloured by Au grade range), locations of samples with visible gold in hand specimens (yellow stars), mapped quartz veins (red shapes) and drill targets (labelled black shapes).

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Typical Pukanec rock chip sample showing abundant visible gold.

Rudno Exploration Licence

No significant activities were carried out during 2020. High grade historic areas will be reviewed at Zubau where previous drilling by Prospech tested historic production areas averaging over 15.0 g/t Au.

Jasenie Exploration Licence

The Jasenie exploration licence is located approximately 90 kilometres northeast of the Hodrusa-Hamre licence area on the southern side of the Nízke Tatry mountains, to the north of Jasenie village. The exploration licence was granted to the Company in May 2017.

The licence area hosts four known mineral prospects:

- Kysla (tungsten-gold).
- Soviansko (silver-lead).
- Lomnista (gold-antimony).
- Sucha (gold-antimony).

Since being granted the licence, the Company's main exploration efforts have focused on Kysla and has included surface and underground rock chip sampling, compilation and digitisation of extensive historical third party exploration information and diamond drilling. Based on the extensive historical database backed up by modern sampling and drilling, Prospech has completed an Inferred Resource estimate for the Kysla prospect.

Historical metallurgical testwork at Kysla has indicated the potential to produce a sulphide gold concentrate for sale or further processing. Tungsten concentrates were also produced although commercial concentrate grades of WO₃ were not achieved.

The Company is planning to carry out a metallurgical testwork program at a reputable Canadian laboratory, to build on the historical knowledge base.

Further drilling of the Kysla target is contingent on encouragement from the metallurgical testing program.

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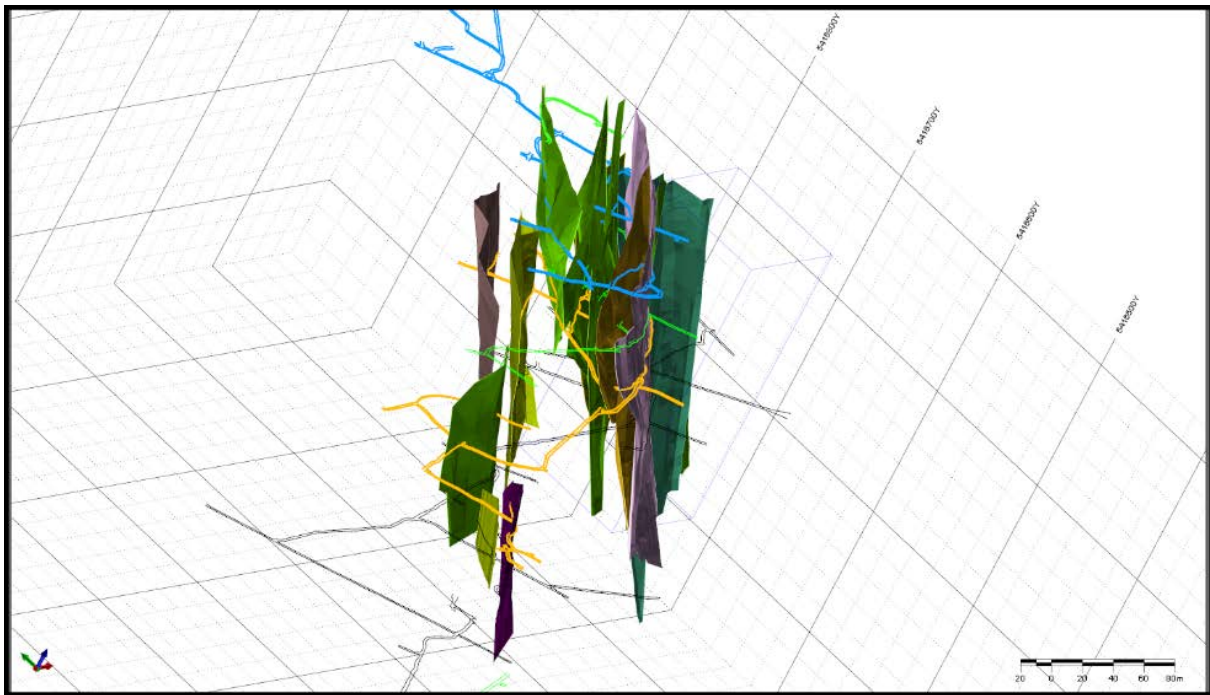
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The Soviansko prospect comprises a set of 14 narrow, sub-vertical structures hosting silver-lead mineralised veins. The vein-system strikes north-east and dips variably at approximately 65 degrees to the north-west. The veins have been delineated by exploration tunnels and channel sampling on six levels spaced between 25 and 40 metres apart. There is no record of significant historical mining activity.

During 2020, paper records consisting of level-plans and sections were digitised and a 3D vein model created in in Micromine geological software.

A historical database of 673 channels samples, all located in 3D space, averaged 0.4 metres in thickness, 90 g/t Ag and 3.1% Pb. Historical channel sample results include:

- **JGS/25: 2.2m @ 202 g/t Ag and 6.1% Pb**
- **JGS/33: 0.6m @ 819 g/t Ag and 13.4 % Pb**
- **JGS/01: 1.3m @ 143 g/t Ag and 9.6% Pb**
- **JGS/32: 0.6m @ 528 g/t Ag and 16.2% Pb**
- **JAS/16: 1.1m @ 219 g/t Ag and 9.4% Pb**
- **JGS/35: 0.7m @ 219 g/t Ag and 16.6% Pb**



Soviansko 3D silver-lead vein geological model showing underground exploration tunnels on six levels.

The Company has not conducted drilling at Soviansko. Further evaluation of the overall exploration potential of the system is needed prior to the formulation of a drilling proposal.

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Cejkov-Zemplin Exploration Licence

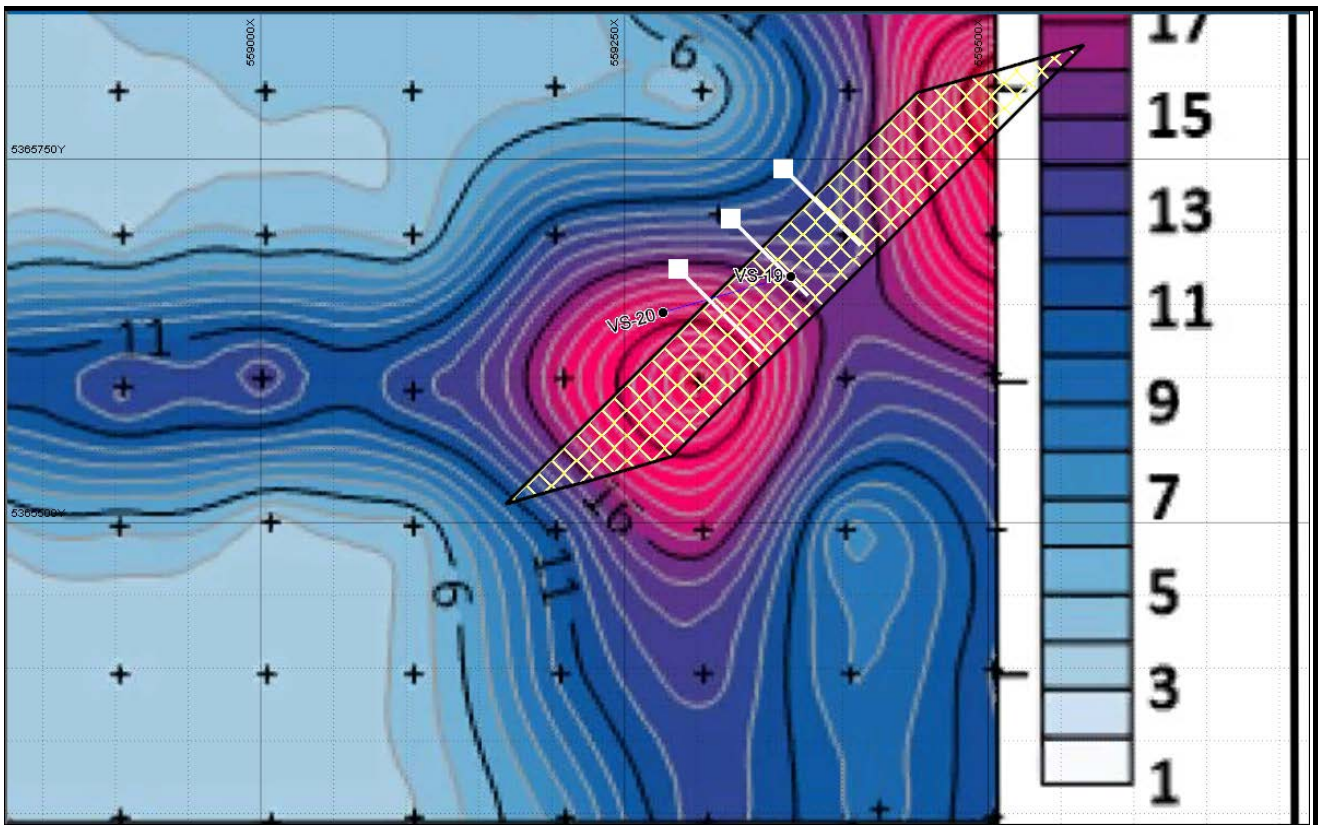
The Zemplin prospect is either the southern continuation of Brehov system (currently held by Rodinia, s.r.o.) or a standalone caldera adjacent to Brehov at 2 Mt @ 214 g/t Ag, 4.4% Pb and 6.6% Zn and has similarities to Beregovo-Muzhievo system located approximately 70 kilometres away in Ukraine. Beregovo is a 10 Mt @ 5.0 g/t Au deposit and Muzhievo is a 2.25 Mt @ 8.4 g/t Au deposit.

High grade silver-lead-zinc mineralisation was intersected at relatively shallow depth in historical diamond drilling:

- **VS19: 2.5m @ 514 g/t Ag, 13.4% Pb and 8.3% Zn from 95m**
- **VS20: 2.4m @ 182 g/t Ag, 0.8 g/t Au, 15.3% Pb and 16.5% Zn from 146m**

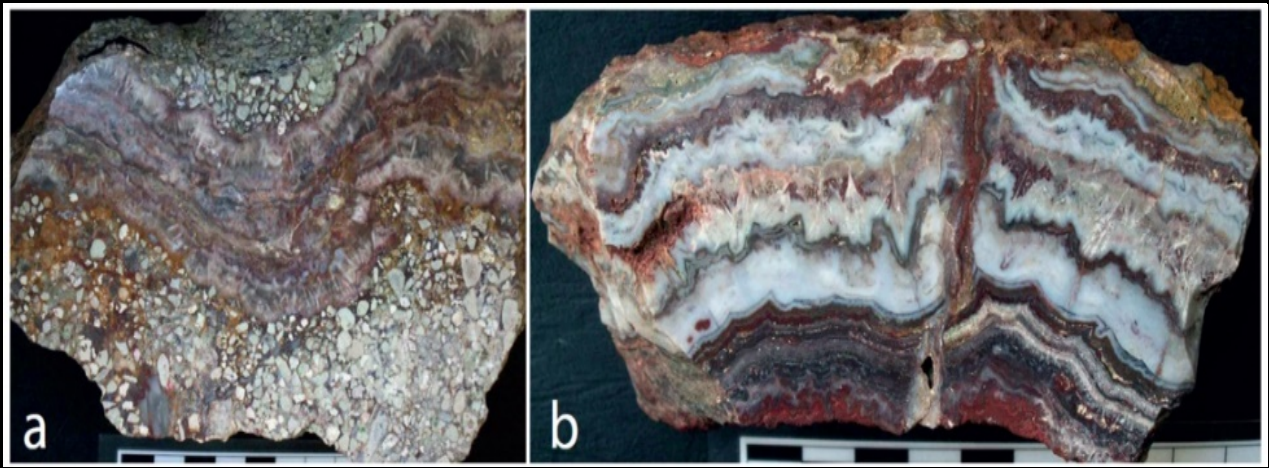
During 2020, Prospech completed an ionic leach soils program over the known mineralised southern portion of the Cejkov-Zemplin exploration licence which was successful in defining Au/Ag, Cu/Mo, Zn/Cd targets along with a number of other mineral commodity associations. Significant pathfinder element responses were identified that define metal target areas, alteration, geology and apparent structural fabrics where multi-element lineations most likely reflect structures and/or mineralising conduits.

The multi-element responses confirm an active fertile system existed at Cejkov with potential for a significant multi-metal system remaining. Its fingerprint is typical of intrusive related multi-metal mineral systems observed elsewhere in Europe and, for the first time, the historic drill results are now being tested by the Company with 3 planned diamond drill holes.



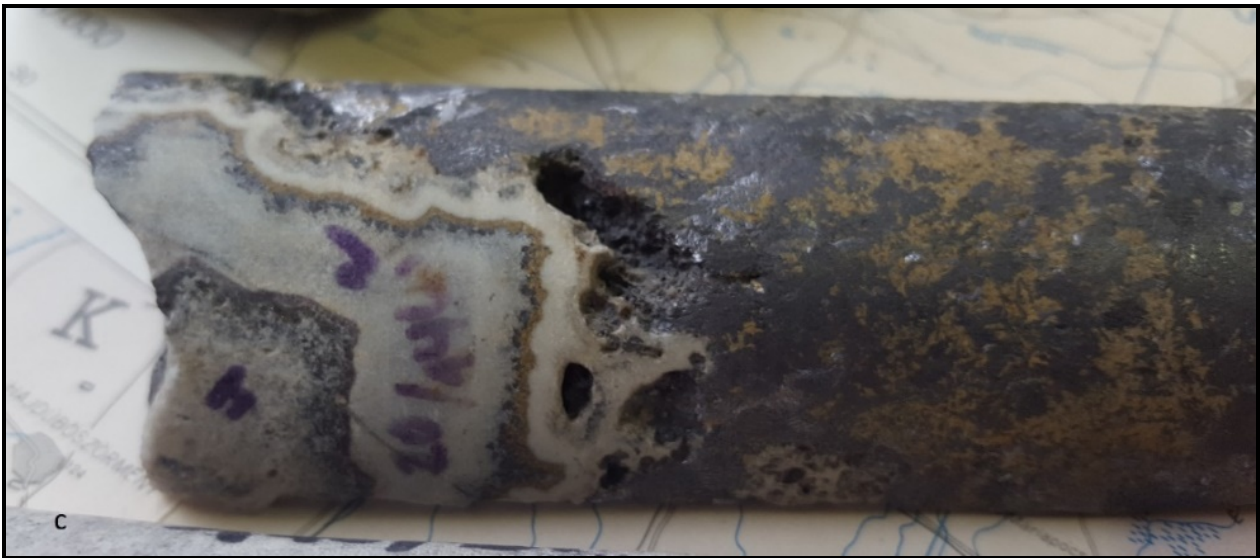
Ionic leach Au-Ag anomaly map showing historical drill holes VS-19 and VS-20, the postulated target zone (yellow cross hatch) and Prospech's planned 2021 drill holes (white) and.

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*Zemplin silver base metal prospect
rhyolite host rock with quartz,
chalcedony, barite infill.*

*A jasper-quartz-chalcedony-barite
open fill vein at the top of the Zemplin
structure to be drill tested.*

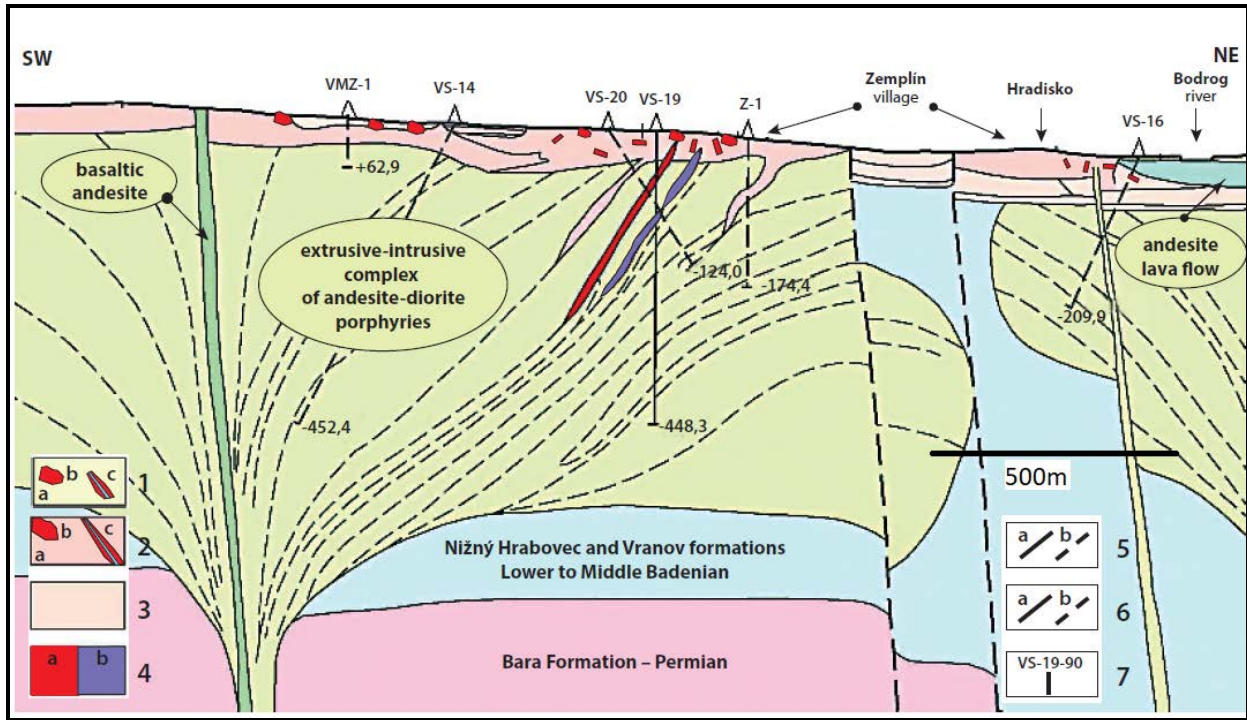


High grade mineralisation from previously drilled Zemplin hole VS-20 (146m) to be tested along strike and down dip.



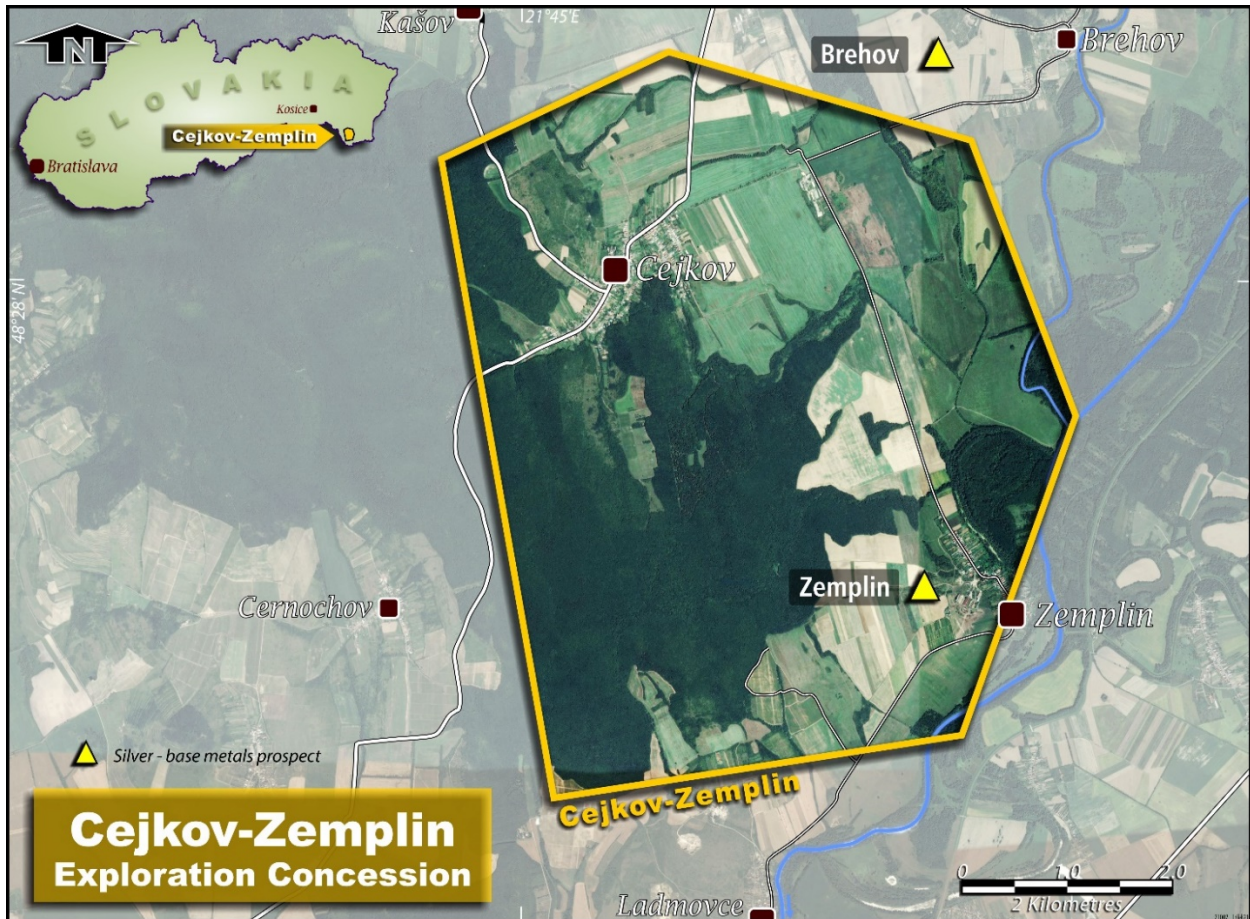
*Prospech 2019 ionic leach soil sampling over surface expression of mineralisation
at Zemplin assisted by experts from Globex Consulting (former CSIRO)*

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Cross section through the Zemplin structure.

Prospech will seek to repeat the silver mineralisation intersected in VS19 and 20, down dip and along strike.



Zemplin structure highlighted to the south which trends 4km to the NE to Brehov (2Mt @ 214 g/t Ag 4.4% Pb and 6.6% Zn) structure.

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MINERAL RESOURCE STATEMENT

Jasenie Mineral Resource Estimate – Kysla Prospect

Resource Category	Mass (Mt)	Au (g/t)	Au (oz)	WO₃ (%)	WO₃ (kg)
Inferred	1.82	1.22	71,000	0.36	6,612,000

Table 1 Jasenie-Kysla Mineral Resource (cut off 1 g/t Au or 0.13% WO₃ - on a sliding scale)

The Jasenie Gold, Tungsten, Antimony Project is located approximately 60 km north east of Banska Stiavnica in Central Slovakia. The largest Au-W deposit (Kysla) is located north of Jasenie village on the southern side of the Nízke Tatry Mountains. Modern exploration and mining started at the end of the 1950s, when an 18 km long, 400-1000 m wide scheelite-gold anomaly was identified at Kysla. Between 1987 and 1992 the Slovakian government drilled 221 surface and underground drill holes and dug six exploration adits for a total of 13 km. Their main target was Tungsten mineralisation which is considered a strategic metal.

The deposit is structurally complex with vein and stockwork mineralisation hosted in crystalline migmatite, gneiss and amphibolite basement rocks of the Nízke Tatry Mts. The deposit has an ENE strike length of over 2 km and dips moderately to the SSE. The veins have been offset by up to 40m by numerous post mineral faults. Two genetic mineralisation types have been recognized; (i) quartz veins, several cm to a maximum of 9 m thick, contain the highest gold concentrations, whereas (ii) scheelite occurs predominantly in stockwork and impregnation zones.

Prospech's work has concentrated on the Kysla area, collecting 86 surface samples rock chip samples of outcrop, mullock and float and 53 underground samples in adit 4. The sampling was designed to confirm the presence of gold and tungsten in the prospect area and many samples appear to generally confirm the level of mineralisation reported in the government sampling. Prospech has completed 4 holes at Kysla for 761.1m. Those holes were designed to confirm historic grade in the underground workings to add confidence to an in-house inferred resource estimate.

In late 2018 Prospech prepared an in-house initial JORC 2012 compliant inferred mineral resource estimate, quoted in Table 1 above.

Competent Person Statement

The information in this Report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Jason Beckton, who is a Member of the Australian Institute of Geoscientists. Mr Beckton, who is Managing Director of the Company, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Beckton consents to the inclusion in this Report of the matters based on the information in the form and context in which it appears.

Corporate Governance Statement

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The Corporate Governance Statement is dated as at 30 March 2021, reflecting the corporate governance practises throughout the 2020 financial year and was approved by the Board of Directors of the Company on 30 March 2021. A description of the Company's current corporate governance practises is set out in the Company's Corporate Governance Statement which can be viewed at <https://prospech.com.au/corporate-governance>.

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DIRECTORS' REPORT

Corporate Activities

In July 2020, the Company completed a pre- Initial Public Offer ('IPO') raise of \$750,000, issuing 468,750 shares at the equivalent of \$0.16 per share (reported on a post share capital consolidation basis).

In August 2020, the share capital of the Company was consolidated on the basis of 10 new shares for every 16 existing shares on issue.

On 4 December 2020 the Company completed a \$5,000,000 IPO by the issue of 25,000,000 new fully paid ordinary shares and was admitted to the Official List of the ASX on 4 December 2020, a significant milestone in the Company's history.

Financial position

The Group reported a loss for the year ended 31 December 2019 of \$1,398,053 (2019: \$394,826).

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the year are:

Thomas J. Mann - Chairman

Director since 26 September 2014.

Mr Mann has over 30 years' experience in financial markets and global trade having established a global trading corporation with offices in North America and the Asia-Pacific. Mr Mann is actively involved in capital raising and strategic development initiatives for public and private companies.

Jason M. Beckton - Director and Chief Executive Officer

Director since 26 September 2014.

Mr Beckton is a professional geologist with over 20 years' experience in exploration, project development, production and management in Australia and internationally.

Mr Beckton commenced his career with Pancontinental and Goldfields Ltd throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently, he was Project Manager for the Palmarejo silver-gold project in Mexico during 2004. More recently, Mr Beckton was Manager - Chile for Exeter Resource Corporation and led the team in 2007 that was responsible for the commercial discovery at the Caspiche Porphyry prospect in the Maricunga Gold Copper Belt of Chile.

Mr Beckton is the course founder for EU - EIT Frieberg Raw Materials Academy 'Creating Exploration Companies - Start Up Template' and Corporate Advisor for Investment Bank DGWA - Deutsche Gesellschaft für Wertpapieranalyse GmbH, Germany. Mr Beckton was a director of ASX listed company Dark Horse Resources Limited (now NewPeak Metals Limited) from April 2018 until October 2020.

Mr Beckton is a Non-Executive Director of unlisted Lode Resources Ltd (NSW), Jamieson Minerals Pty Ltd (Victoria) and Bambra Oy (Finland) and is a Member of the Australian Institute of Geoscientists.

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DIRECTORS' REPORT

Peter J. Nightingale - Director and Chief Financial Officer

Director since 26 September 2014.

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of Chartered Accountants Australia & New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L and Planet Gas Limited (now Sky Metals Limited). He is currently a director of ASX Listed Alpha HPA Limited and Nickel Mines Limited.

John A. Levings - Director

Director since 17 May 2016.

Mr Levings gained a Bachelor of Science degree from the University of Tasmania in 1977 and then worked for several years as a field geologist and geophysicist for Anglo American Limited. In 1985, as Chief Geologist for Australian Development Limited (later re-named Normandy Gold Limited), Mr Levings was responsible for the discovery of the high grade White Devil gold deposit (760,000 ounces of gold at 14.6 grams per tonne) in Tennant Creek. In 1986 Australian Development Limited was the best performing stock on the ASX on the back of this discovery. Relocating to Indonesia, Mr Levings became a founding partner of a successful geological consultancy which was very active during the 1990s. In more recent times, he identified the Romang Island polymetallic opportunity which was acquired by Robust Resources Limited.

John is a Fellow of the Australasian Institute of Mining and Metallurgy.

Stephen G. Gemell - Director

Director since 4 March 2021.

Mr Gemell holds an Honours Degree in Mining Engineering and has more than 40 years' experience in the mining industry, having worked throughout Australasia and in Africa, North and South America, Asia, Eastern and Western Europe. He has been Principal of Gemell Mining Engineers since its formation in Kalgoorlie in 1984, specialising in mineral property assessment, strategic studies and valuation.

Steve is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Chartered Professional (Mining), and a Member of the American Institute of Mining, Metallurgical and Petroleum Engineers. He is an AusIMM representative on the VALMIN Committee and is also a VALMIN representative to the International Mineral Valuation Committee (IMVAL), which he chaired in 2018 and 2019.

In the past three years, he held appointments as a non-executive director of Astro Resources NL from March 2018 until October 2020 and Greenvale Mining Limited from June 2019 until September 2020.

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DIRECTORS' REPORT

Richard J. Edwards - Company Secretary

Company Secretary since 26 September 2014.

Mr Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, is a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA.

Mr Edwards has worked for over fifteen years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia, with a focus on the mining sector. He is currently Company Secretary of ASX-listed Alpha HPA Limited and Nickel Mines Limited.

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings	
	Held	Attended
Thomas J. Mann	6	6
Jason M. Beckton	6	6
Stephen G. Gemell*	-	-
John A. Levings	6	6
Peter J. Nightingale	6	6

* Appointed as a Director on 4 March 2021.

Directors' Interests

At the date of this report, the beneficial interests of each key management personnel of the Company in the issued share capital of the Company and options, each exercisable to acquire one fully paid ordinary share of the Company are:

Director	Fully Paid Ordinary	Options	Option Terms
	Shares		(Exercise Price and Term)
Thomas J. Mann	4,418,749	2,500,000	\$0.30 from 30/09/20 up to 30/09/2023
Jason M. Beckton	3,910,159	3,125,000	\$0.30 from 30/09/20 up to 30/09/2023
Stephen G. Gemell*	-	-	-
John A. Levings	507,813	1,250,000	\$0.30 from 30/09/20 up to 30/09/2023
Peter J. Nightingale	7,692,798	3,125,000	\$0.30 from 30/09/20 up to 30/09/2023

* Appointed as a Director on 4 March 2021.

Unissued Shares Under Option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of unissued shares	Exercise Price	Expiry Date
12,031,250	\$0.30	30 September 2023*
5,000,000	\$0.30	30 November 2023

* Options expire on the earlier of their expiry date or termination of the employee's employment.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020. No dividends have been paid or declared during the year.

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DIRECTORS' REPORT

Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2020 were as follows:

- The Company was listed on the Australian Stock Exchange following the completion of an initial public offering of 25,000,000 shares at \$0.20 each.
- The consolidation of the share capital of the Company on the basis of 10 new shares for every 16 existing shares.

In the opinion of the Directors, there were no significant changes in the state of affairs or financial position of the Group that occurred during the year ended 31 December 2020 other than as disclosed elsewhere in the financial report or notes thereto.

Impact of Legislation and Other External Requirements

There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Environmental Regulations

The Group's operations are subject to Slovakian environmental regulations in relation to its exploration activities.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the year covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

Indemnification of Officers and Auditors

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

Events Subsequent to Balance Date

There have been no matters arise in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

PROSPECH LIMITED
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DIRECTORS' REPORT

Non-Audit Services

During the year ended 31 December 2020 KPMG, the Group's auditor, did not perform other services in addition to the audit and review of the financial statements.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2020	2019
	\$	\$
Services other than audit and review of financial statements:		
<i>Other services</i>	-	-
Audit and review of financial statements	54,000	61,200
	54,000	61,200

Remuneration Report - (Audited)

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

Principles of Compensation - (Audited)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments comprising both short-term salaries and share based payments. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements. Share based payments are issued to directors to incentivise performance that contributes to shareholder wealth.

There were no remuneration consultants used by the Company during the year ended 31 December 2020, or in the prior year.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Consultancy Agreements with key management personnel

Consultancy Agreement – Managing Director

The Company entered into an executive consultancy agreement with a company associated with Jason Beckton, Beckton Gledhill Pty Ltd (Beckton Gledhill) on 10 September 2020. Under this executive consultancy agreement, Beckton Gledhill agrees to make Mr Beckton available to perform the duties and responsibilities of the position of Managing Director of the Company. Beckton Gledhill receives a monthly fee of \$19,000 (exclusive of GST), which increased to \$20,000 on the Company's listing on the ASX. As a Director of the Company, Mr Beckton will also be eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or Beckton Gledhill by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Beckton.

Consultancy Agreement – Chief Financial Officer and Executive Director

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale, Rosignol Consultants Pty Ltd (Rosignol). Under this executive consultancy agreement, Rosignol agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director of the Company. Rosignol receives a monthly fee of \$5,000 (exclusive of GST), which increased to \$10,000 upon the Company's listing on the ASX. As a Director of the Company, Mr Nightingale will also be eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or Rosignol by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Nightingale.

Consultancy Agreement – Executive Director

The Company has entered into an executive consultancy agreement with a company associated with John Levings, International Business Services Ltd (IBS). Under this executive consultancy agreement, IBS agrees to make Mr Levings available to perform the duties and responsibilities of Executive Director. IBS received a monthly fee of \$2,500 per month (exclusive of GST), which increased to \$10,000 per month following the listing of the Company on ASX and Mr Levings move from Non-Executive to Executive Director. As a Director of the Company, Mr Levings is also eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or IBS by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Levings.

The consultancy agreement has a commencement date of 14 September 2020 and continues until terminated in accordance with its terms.

Letter of Appointment – Non-Executive Chairman

The Company's Non-Executive Chairman Thomas Mann has entered into a Letter of Appointment with the Company to serve as Non-Executive Chairman. The Letter of Appointment provides that, amongst other things, in consideration for his services, the Company will pay Mr Mann \$40,000 per annum for his services, which increased to \$80,000 per annum on successful completion of the Company's IPO. As a Director of the Company, Mr Mann is also eligible to participate in the Company's Incentive Option Plan and there are no termination payments within the contract.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Letter of Appointment – Non-Executive Director

The Company's Non-Executive Director Stephen Gemell (appointed as a Director on 4 March 2021) has entered into a Letter of Appointment with the Company to serve as a Non-Executive Director. The Letter of Appointment provides that, amongst other things, in consideration for his services, the Company will pay Mr Gemell \$40,000 per annum for his services. As a Director of the Company, Mr Gemell is also eligible to participate in the Company's Incentive Option Plan and there are no termination payments within the contract.

Consequences of performance on shareholders' wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years.

	2020	2019	2018	2017
	\$	\$	\$	\$
Net loss attributable to equity holders of the parent	1,398,053	394,826	546,953	497,274
Dividends paid	-	-	-	-
Change in share price	\$0.04*	n/a	n/a	n/a

* Based on a opening share price of \$0.10 per share, adjusted to \$0.16 per share following the 10 for 16 consolidation of capital in August 2020 and a closing share price on 31 December 2020 of \$0.20.

The overall level of key management personnel's compensation has been determined based on market conditions, the advancement of the Group's projects and the financial performance of the Group.

Details of Remuneration for the Year Ended 31 December 2020 - (Audited)

Details of Director remuneration and the nature and amount of each major element of the remuneration of each Director of the Company are set out below.

Remuneration for year ended 31 December 2020:

Key management personnel	Short term	Post-employment	Share based payments	Total	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
	Salary and fees	Superannuation	Options			
<i>Executive Directors</i>						
<i>Jason Beckton</i>	229,000	-	198,305	427,305	-	46.4
<i>John Levings</i>	37,500	-	79,322	116,822	-	67.9
<i>Peter Nightingale</i>	65,000	-	198,305	263,305	-	75.3
<i>Non-Executive Directors</i>						
<i>Thomas Mann</i>	43,333	-	158,645	201,978	-	78.5
Total	374,833	-	634,577	1,009,410		62.9

The total expense from salaries and fees paid to key management personnel for the year ended 31 December 2020 of \$1,009,410 including share based payment expense of \$634,577 arising from options issued to key management personnel which has been recognised in the Statement of Profit or Loss.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Movement in shares and options - (Audited)

The movement during the reporting year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management personnel	Held at 1 January 2020	Adjustment in 10 for 16 consolidation	Purchased	Granted on Exercise of Options	Held at 31 December 2020
Thomas J. Mann	6,300,000	(2,362,500)	481,249	-	4,418,749
Jason M. Beckton	5,256,252	(1,971,093)	625,000	-	3,910,159
Stephen G. Gemell*	-	-	-	-	-
John A. Levings	312,500	(117,187)	312,500	-	507,813
Peter J. Nightingale	10,660,004	(3,997,500)	1,030,294	-	7,692,798

* Appointed as a Director on 4 March 2021.

At the date of this report, the number of options over ordinary share of each key management personnel of the Company are:

Key management personnel	Held at 1 January 2020	Cancelled*	Granted	Forfeited	Exercised	Options Vested at 31 December 2020	Held at 31 December (exercisable) 2020
Thomas J. Mann	4,000,000	(4,000,000)	2,500,000	-	-	2,500,000	2,500,000
Jason M. Beckton	5,000,000	(5,000,000)	3,125,000	-	-	3,125,000	3,125,000
Stephen G. Gemell*	-	-	-	-	-	-	-
John A. Levings	2,000,000	(2,000,000)	1,250,000	-	-	1,250,000	1,250,000
Peter J. Nightingale	5,000,000	(5,000,000)	3,125,000	-	-	3,125,000	3,125,000

* Appointed as a Director on 4 March 2021.

All options granted during the year end vested on their grant date of 30 September 2020. The Directors valued the Options at \$0.079 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the grant date, a volatility factor of 100%, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%. There is no other performance condition or period of service related to the options issued to key management personnel during the period.

Cancellation and issue of options

On 30 September 2020 12,500,000 options with a strike price of \$0.25 and an expiry date of 31 December 2020 were cancelled and 12,031,250 replacement options with a strike price of \$0.30 and an expiry date of 30 September 2023 were issued on 30 September 2020. The fair value of the options at date of cancellation was \$160,000 and the fair value of the options issued was \$955,976.

The options cancelled on 30 September 2020 were valued at date of cancellation at \$0.010 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the cancellation date, a volatility factor of 100%, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%.

Options issued to Directors were not dependent on the satisfaction of a specific performance condition, due to the difficulty in setting appropriate performance criteria for all parties at this stage of the Company's development.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Transactions with Key Management Personnel - (Audited)

Peter Nightingale has an interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff, rental accommodation, services and supplies to the Group. Fees charged by MIS Corporate Pty Limited during the year ended 31 December 2020 amounted to \$65,000, a fee of \$5,000 per month which increased to \$10,000 per month upon the Company's listing on ASX. At 31 December 2020 \$5,000 (31 December 2019: \$35,000) remained outstanding.

No loans were made to key management personnel or their related parties during the year and no amounts were outstanding at 31 December 2020.

Other than outlined above there were no additional transactions with key management personnel or their related parties.

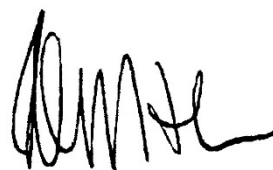
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 31 December 2020.

Signed at Sydney this 30th day of March 2021
in accordance with a resolution of the Board of Directors:



Thomas J. Mann
Chairman



Peter J. Nightingale
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Prospech Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Prospech Limited for the financial year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Jeff Frazer
Partner

Brisbane
30 March 2021

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PROSPECH LIMITED
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 \$	2019 \$
Other income		8,994	-
Administration and consultants' expenses		(632,731)	(379,611)
Depreciation expense		(13,365)	(16,721)
Share based payments		<u>(760,976)</u>	<u>-</u>
Results from operating activities		(1,398,078)	(396,332)
Financial income	4	25	1,697
Financial expense	4	<u>-</u>	<u>(191)</u>
Net financial income		<u>25</u>	<u>1,506</u>
Loss before income tax		(1,398,053)	(394,826)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss for the year		<u>(1,398,053)</u>	<u>(394,826)</u>
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		<u>(39,731)</u>	<u>(77,911)</u>
Total comprehensive loss for the year		<u>(1,437,784)</u>	<u>(472,737)</u>
Earnings per share			
Basic and diluted loss per share (cents)	7	<u>(2.31)</u>	<u>(0.78)</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Current assets			
Cash and cash equivalents	14	4,514,982	404,266
Trade and other receivables	5	57,961	30,406
Prepayments		<u>4,691</u>	<u>1,930</u>
Total current assets		<u>4,577,634</u>	<u>436,602</u>
Non-current assets			
Exploration and evaluation expenditure	8	5,960,567	5,180,565
Property, plant and equipment	9	<u>11,983</u>	<u>23,124</u>
Total non-current assets		<u>5,972,550</u>	<u>5,203,689</u>
Total assets		<u>10,550,184</u>	<u>5,640,291</u>
Current liabilities			
Trade and other payables	10	<u>136,890</u>	<u>397,063</u>
Total current liabilities		<u>136,890</u>	<u>397,063</u>
Total liabilities		<u>136,890</u>	<u>397,063</u>
Net assets		<u>10,413,294</u>	<u>5,243,228</u>
Equity			
Share capital	11	12,081,396	6,767,823
Reserves	11	1,932,805	877,065
Accumulated losses		<u>(3,600,907)</u>	<u>(2,401,660)</u>
Total equity		<u>10,413,294</u>	<u>5,243,228</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 January 2020		6,767,823	877,065	(2,401,660)	5,243,228
Total comprehensive income for the year					
Loss for the period		-	-	(1,398,053)	(1,398,053)
Total other comprehensive income		-	(39,731)	-	(39,731)
Total comprehensive loss for the year		-	(39,731)	(1,398,053)	(1,437,784)
Transactions with owners, recorded directly in equity					
Issue of shares	11	6,261,361	-	-	6,261,361
Costs of issue	11	(947,788)	-	-	(947,788)
Modification of options	11	-	(198,806)	198,806	-
Issue of options	11	-	1,294,277	-	1,294,277
Balance at 31 December 2020		12,081,396	1,932,805	(3,600,907)	10,413,294
Balance at 1 January 2019		5,682,823	964,960	(2,016,818)	4,630,965
Total comprehensive income for the year					
Loss for the period		-	-	(394,826)	(394,826)
Total other comprehensive income		-	(77,911)	-	(77,911)
Total comprehensive loss for the year		-	(77,911)	(394,826)	(472,737)
Transactions with owners, recorded directly in equity					
Issue of shares	11	1,085,000	-	-	1,085,000
Lapse of options	11	-	(9,984)	9,984	-
Balance at 31 December 2019		6,767,823	877,065	(2,401,660)	5,243,228

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Cash payments in the course of operations		(287,965)	(207,961)
Interest received		<u>25</u>	<u>1,697</u>
Net cash used in operating activities	14	<u>(287,940)</u>	<u>(206,264)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(936,857)	(802,292)
Payments for property, plant and equipment		<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(936,857)</u>	<u>(802,292)</u>
Cash flows from financing activities			
Issue of shares	11	5,750,000	1,065,000
Costs of issue		<u>(414,487)</u>	<u>-</u>
Net cash from financing activities		<u>5,335,513</u>	<u>1,065,000</u>
Net increase in cash and cash equivalents		4,110,716	56,443
Effect of exchange rate adjustments on cash held		-	1
Cash and cash equivalents at the beginning of the year		<u>404,266</u>	<u>347,822</u>
Cash and cash equivalents at the end of the year		<u>4,514,982</u>	<u>404,266</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 1 – REPORTING ENTITY

Prospech Limited (the ‘Company’) is a company domiciled in Australia. The consolidated financial report for the year to 31 December 2020 comprises the Company and its subsidiaries (together referred to as ‘Prospech’ or ‘the Group’). The Group is a for-profit entity and is involved in exploration for precious metals.

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (‘IASB’).

The financial report was authorised for issue by the Directors on 30 March 2021.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency. The functional currency of the Company’s subsidiaries Prospech Slovakia s.r.o and Slovenske Kovy s.r.o is Euros.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2 – Going concern
- Note 6 – Income tax expense and the recoverability of deferred tax assets.
- Note 8 – Exploration and evaluation expenditure

The accounting policies set out below have been applied consistently by entities in the Group.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 – BASIS OF PREPARATION (Con't)

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Directors have prepared cash flow projections for the period from 1 January 2021 to 31 March 2022 that support the ability of the Group to continue as a going concern. These cashflow projections assume the operational expenditures are maintained within available funding levels and sufficient funds are available for the Group to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions (except for foreign exchange transaction gains or losses), are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation recognised in Other Comprehensive Income ('OCI') and presented in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR. When a foreign operation is disposed of, in part or in full, the relevant amount in foreign operation and are recognised in OCI and presented in the FCTR.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Financial instruments

Non-derivative financial assets

Recognition and initial measurement

The Group initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value through OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con’t)

Financial instruments (Cont’d)

Non-derivative financial assets (Cont’d)

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost. The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Other financial liabilities comprise loans and borrowings and trade and other payables.

Impairment

Financial assets

The Group recognises expected credit losses (‘ECLs’) on financial assets measured at amortised cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment (con't)

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Transaction costs

Incremental costs directly attributable to an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

Expenses

Net financing income

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest earned and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Equity settled share based payments

The grant-date fair value of equity settled share based payment awards granted is recognised as an administration and consultants' expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date. For market conditions and non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Segment Reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to Executive Director and the CFO, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date and payroll tax.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Exploration, evaluation and development expenditure (Con't)

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

Share based payment transactions

The fair value of the share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), expected dividends, and the risk-free interest rate (based on government bonds).

Changes in significant accounting policies

All new standards and interpretations effective for periods after 1 January 2020 have been adopted by the Group in the preparation of these financial statements and have not had any material effect on the financial statements presented.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

	2020	2019
	\$	\$

NOTE 4 – FINANCIAL INCOME/(EXPENSE)

Interest income	25	1,697
Foreign exchange gain/(loss)	-	(191)
	25	1,506

NOTE 5 – TRADE AND OTHER RECEIVABLES

GST/VAT receivable	57,961	10,406
Share subscription receivable	-	20,000
	57,961	30,406

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	\$	\$
NOTE 6 – INCOME TAX EXPENSE		
Current tax expense		
Current period	(100,834)	(11,846)
Non-recognition of losses	100,834	11,846
Total income tax expense in income statement	-	-
Loss before tax – continuing operations	(1,398,053)	(394,826)
Prima facie income tax expense at the Australian tax rate of 30% (2020 – 30%)	(419,416)	(118,448)
Impact of tax in foreign jurisdiction	10,014	5,638
Increase in income tax expense due to:		
- Non-deductible expenses	372,943	127,366
- Effect of deferred tax assets for tax losses not brought to account	36,459	(14,556)
Income tax expense – current and deferred	-	-
Deferred tax asset /(liability)		
Deferred tax assets brought to account	51,616	53,390
Deferred tax liability brought to account	(51,616)	(53,390)
Total deferred tax asset/(liability) brought to account	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.		
Deferred tax asset for temporary differences not brought to account	227,469	-
Deferred tax asset for tax losses not brought to account	220,537	178,235
Total deferred tax asset not brought to account	448,006	178,235

At 31 December 2020, the Group has an unrecognised deferred tax asset for tax losses not brought to account of \$84,633 (31 December 2019: \$130,257) that relate to the Slovakian operations. These tax losses expire after four years. There are judgements made to determine the timing and amount of deferred tax assets that can be recognised based on whether it is probable that future taxable profit will be available against which the Group can use the benefits therefrom.

In accordance with Slovakian tax legislation, the Group capitalises Slovakian exploration costs as ‘complex future expenses’ that are able to be carried forward against future income and are able to be deducted in later years when a taxable income is produced.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	\$	\$
NOTE 7 – LOSS PER SHARE		
Basic and diluted loss per share have been calculated using:		
Net loss for the year	<u>(1,398,053)</u>	<u>(394,826)</u>
	N° of shares	N° of shares
Weighted average number of ordinary shares – post 10 for 16 share consolidation		
- Issued ordinary shares at the beginning of the year	55,415,061	48,633,811
- Effect of shares issued in May-June 2019	-	1,712,329
- Effect of shares issued in November-December 2019	-	170,291
- Effect of shares issued in July 2020	2,016,267	-
- Effect of shares issued in September 2020	1,059,498	-
- Effect of shares issued in December 2020	2,054,794	-
Weighted average number of shares at the end of the year	<u>60,545,620</u>	<u>50,516,431</u>
As the Group is loss making, none of the potentially dilutive securities are currently dilutive.		
NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE		
Reconciliation of the carrying amount is set out below:		
Opening balance	5,180,565	4,385,942
Additions, including impact of FX movements	780,002	794,623
Closing balance	<u>5,960,567</u>	<u>5,180,565</u>
Hodrusa	4,308,569	3,748,306
Nova Bana	602,240	564,398
Rudno	362,712	362,371
Jasenie	466,901	391,855
Pukanec	118,406	49,262
Cejkov Zemplin	101,739	64,373
	<u>5,960,567</u>	<u>5,180,565</u>
	2020	2019
	\$	\$
Hodrusa		
Carrying amount at beginning of year	3,748,306	3,403,870
Additions	570,301	371,162
FCTR	(10,038)	(26,726)
Net book value	<u>4,308,569</u>	<u>3,748,306</u>

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	\$	\$
NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE (Con't)		
Nova Bana		
Carrying amount at beginning of year	564,399	492,152
Additions	41,040	80,507
FCTR	(3,199)	(8,260)
Net book value	602,240	564,399
Rudno		
Carrying amount at beginning of year	362,371	364,190
Additions	2,380	4,295
FCTR	(2,039)	(6,114)
Net book value	362,712	362,371
Jasenie		
Carrying amount at beginning of year	391,855	81,110
Additions	76,756	311,671
FCTR	(1,710)	(926)
Net book value	466,901	391,855
Pukanec		
Carrying amount at beginning of year	49,262	37,950
Additions	69,386	11,928
FCTR	(242)	(616)
Net book value	118,406	49,262
Cejkov Zemplin		
Carrying amount at beginning of year	64,373	6,670
Additions	37,742	57,826
FCTR	(376)	(123)
Net book value	101,739	64,373
Total exploration and evaluation expenditure	5,960,567	5,180,565

Judgements are made in regard to the technical feasibility and commercial viability of the exploration and evaluation assets which includes evaluation of results from exploration activities by a competent person. The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	\$	\$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT		
Motor vehicles		
Motor vehicles – cost	72,165	72,165
Accumulated depreciation	(62,000)	(49,041)
Net book value	10,165	23,124
Office equipment		
Office equipment assets – cost	2,182	2,345
Accumulated depreciation	(364)	(2,345)
Net book value	1,818	-
 Total property, plant and equipment	 11,983	 23,124

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

Motor vehicles		
Carrying amount at beginning of period	23,124	40,299
Additions	-	-
Depreciation	(12,512)	(16,460)
Exchange movements	(447)	(715)
Net book value	10,165	23,124
Office equipment		
Carrying amount at beginning of period	-	261
Additions	2,182	-
Depreciation	(364)	(261)
Net book value	1,818	-

NOTE 10 – TRADE AND OTHER PAYABLES

Creditors	116,890	242,063
Accruals	20,000	217,516
	136,890	397,063

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 11 – CAPITAL AND RESERVES

	2020		2019	
	Number of shares	\$	Number of shares	\$
Opening balance – fully paid	88,664,098	6,767,823	77,814,098	5,682,823
Issue of shares – pre 10 for 16 share consolidation	7,500,000	750,000	10,850,000	1,085,000
10 for 16 share consolidation	(36,061,510)	-	-	-
Issue of shares - post 10 for 16 share consolidation	28,196,005	5,511,361	-	-
Costs of share issuance	-	(947,788)	-	-
Ordinary shares on issue at 31 December – fully paid	<u>88,298,593</u>	<u>12,081,396</u>	88,664,098	6,767,823

During the year ended 31 December 2020:

- The Company issued 7,500,000 shares, pre the 10 for 16 share consolidation, for cash totalling \$750,000. There were no amounts unpaid on the shares issued. There were no share issue costs.
- At an Extraordinary Shareholders Meeting held in August 2020 shareholders unanimously approved a 10 for 16 share consolidation, resulting in a reduction of 36,061,510 in the number of fully paid ordinary shares on issue.
- The Company issued 2,883,505 shares, post the 10 for 16 share consolidation, to settle amounts owed to creditors including related parties totalling \$461,361.
- The Company issued 312,500 shares, post the 10 for 16 share consolidation, to Peloton Capital Pty Ltd ('Peloton'), for services related to the pre-IPO capital raising in August 2020.
- In December 2020 in the Company's Initial Public Offering, post the 10 for 16 share consolidation, the Company issued 25,000,000 shares, at \$0.20 each for cash totalling \$5,000,000. There were no amounts unpaid on the shares issued. Share issue costs totalled \$947,788, which included non-cash of \$533,301 relating to the issue of options to a nominee of Peloton, lead manager of the Company's IPO.

During the year ended 31 December 2019:

- The Company issued 10,850,000 shares, at \$0.10 each for cash totalling \$1,085,000. At 31 December 2019 there was \$20,000 unpaid that was paid subsequent to the end of that year. There were no share issue costs.

There were no amounts unpaid at period end.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 11 – CAPITAL AND RESERVES (Con’t)

Issue of Options

The Company has an executive option plan (‘Plan’) that entitles eligible employees including the key management personnel to be granted options in the Company. There are no service nor performance conditions related to the options issued during the period. Options issued are not dependent on the satisfaction of any performance condition, due to the difficulty in setting appropriate performance criteria for all parties at this stage of the Company’s development.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2020 were as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted Number	Balance at end of the period (exercisable) Number
30 September 2020	30 September 2023	30 September 2020	\$0.30	\$955,976	12,031,250	12,031,250
				<u>\$955,976</u>	<u>12,031,250</u>	<u>12,031,250</u>

The Directors have valued the Options at \$0.079 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the grant date, a volatility factor of 100% based on historical market data on similar natured entities, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%.

At the same time as issuing the 12,031,250 Options under the Plan, the Company cancelled 12,500,000 existing options issued under the Plan previously. The Options cancelled had a strike price of \$0.40 and an expiry date of 31 December 2020.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2019 were as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted Number	Balance at end of the period (exercisable) Number
28 November 2016	31 December 2020	28 November 2016	\$0.25*	\$403,790	20,000,000	20,000,000
				<u>\$403,790</u>	<u>20,000,000</u>	<u>20,000,000</u>

All existing options with expiry dates of 31 December 2020 were cancelled on 30 September 2020 and replacement options as detailed above were issued.

The cancellation and issue of new options on 30 September 2020 has been accounted for as a beneficial modification. These options are fair valued at the date of modification for both the original share based payment (\$160,000) and the modified arrangement (\$955,976), with the incremental beneficial value to the employee recognised over the modified vesting period.

In addition, options issued to a nominee of the Lead Manager of the Company’s IPO, Peloton are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted Number	Balance at end of the period (exercisable) Number
30 November 2020	30 November 2023	30 November 2020	\$0.30	\$533,301	5,000,000	5,000,000
				<u>\$533,301</u>	<u>5,000,000</u>	<u>5,000,000</u>

The Directors have valued the Options at \$0.107 per option. The Black-Scholes formula model inputs were a Company share price of \$0.20 at the grant date, a volatility factor of 100% based on historical market data on similar natured entities, a risk-free interest rate of 0.11% based on government bonds, and a dividend yield of 0%.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 11 – CAPITAL AND RESERVES (Con't)

Issue of Options (Con't)

	2020		2019	
	Number of options	Weighted average	Number of options	\$
Outstanding at 1 January	12,500,000	\$0.40	12,500,000*	\$0.40*
Cancelled during the year	(12,500,000)	\$0.40	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Granted during the year	17,031,250	\$0.30	-	-
Outstanding at 31 December	17,031,250	\$0.30	12,500,000	\$0.40
Exercisable at 31 December	17,031,250	\$0.30	12,500,000	\$0.40

* Numbers adjusted for the 10 for 16 consolidation of capital in August 2020.

Dividends

There were no dividends paid or declared during the year ended 31 December 2020 or 31 December 2019.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to voting rights and receive dividends as declared from time to time.

Nature and purpose of reserves

Acquisition reserve

The acquisition reserve reflects the transaction with the non-controlling interest following the acquisition by the Company of an additional 30% interest in Slovenske Kovy s.r.o ('SLOK') on completion of tranche 3 on 31 December 2016 and the remaining 19% in October 2017. As the Company now owns a 100% interest in both SLOK and Prospech SK there is no non-controlling interest at 31 December 2019 or 31 December 2020.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Option premium reserve

The option premium reserve is used to recognise the grant date fair value of options issued but not exercised.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 11 – CAPITAL AND RESERVES (Con't)

	2020	2019
	\$	\$
Acquisition reserve	375,578	375,578
Foreign currency translation reserve	57,966	97,697
Option premium reserve	1,499,261	403,790
	1,932,805	877,065
 <i>Movements during the period</i>		
<i>Acquisition reserve</i>		
Balance at the beginning of the period	375,578	375,578
Balance at the end of the period	375,578	375,578
 <i>Foreign currency translation reserve</i>		
Balance at the beginning of the period	97,697	175,608
Currency translation difference	(39,731)	(77,911)
Balance at the end of the period	57,966	97,697
 <i>Option premium reserve</i>		
Balance at the beginning of the period	403,790	413,774
Modification of options	(198,806)	(9,984)
Issue of options	1,294,277	-
Balance at the end of the period	1,499,261	403,790

NOTE 12 – CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares – Group interest	
	2020	2019
	%	%
<i>Parent Entity</i>		
Prospech Limited		
<i>Controlled entities</i>		
Prospech Slovakia s.r.o.	100	100
Slovenske Kovy s.r.o.	100	100

- Prospech Slovakia s.r.o. is incorporated in Slovakia.
- Slovenské Kovy s.r.o. is incorporated in Slovakia.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 13 – RELATED PARTIES

During the year ended 31 December 2020, Peter Nightingale, a director had an interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative and accounting staff rental accommodation, services and supplies, to the Group. Fees charged by MIS Corporate Pty Limited during the year ended 31 December 2020 amounted to \$65,000, a fee of \$5,000 per month which increased to \$10,000 per month upon the Company's listing on ASX. At 31 December 2020 \$5,000 (31 December 2019: \$35,000) remained outstanding.

	2020	2019
	\$	\$

NOTE 14 – STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

Bank balances	4,514,982	404,266
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(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after tax	(1,398,053)	(394,826)
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Non-cash items

Depreciation	13,365	16,721
Share based payments	1,326,578	-
Foreign exchange loss	-	191

Changes in assets and liabilities

Increase in trade and other receivables	27,555	7,615
Increase in prepayments	2,761	3,951
Decrease in trade and other payables	(260,146)	160,084

Net cash used in operating activities	(287,940)	(206,264)
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PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES

There are no key management personnel of the Company or Group that are not Directors.

Jason Beckton, a Director, was compensated \$229,000 (2019 - \$228,000) for his services during the year ended 31 December 2020. This includes a share based payment valued at \$198,305. Outstanding amounts at 31 December 2020 were \$0 (2019 - \$57,000).

Thomas Mann, a Director, was compensated \$43,333 (2019 - \$40,000) for his services during the year ended 31 December 2020. This includes a share based payment valued at \$158,645. Outstanding amounts at 31 December 2020 were \$6,667 (2019 - \$43,333).

Stephen Gemell was appointed as a Director on 4 March 2021 and did not receive any compensation during the year ended 31 December 2020.

John Levings, a Director, was compensated \$37,500 (2019 - \$30,000) for his services during the year ended 31 December 2020. This includes a share based payment valued at \$79,322. Outstanding amounts at 31 December 2020 were \$10,000 (2019 - \$30,000).

Peter Nightingale, a Director, was compensated \$65,000 (2019 - \$60,000) for his services during the year ended 31 December 2020. This includes a share based payment valued at \$198,305. Outstanding amounts at 31 December 2020 were \$10,000 (2019 - \$70,000).

No other key management personnel were remunerated for their services during the year ended 31 December 2020. There are no service contracts with key management personnel, and no bonuses or other performance related compensation paid.

Movement in shares

Key management personnel	Held at 1 January 2020	Adjustment in 10 for 16 consolidation	Purchased	Held at 31 December 2020
Thomas J. Mann	6,300,000	(2,362,500)	481,249	4,418,749
Jason M. Beckton	5,256,252	(1,971,093)	625,000	3,910,159
Stephen G. Gemell	-	-	-	-
John A. Levings	312,500	(117,187)	312,500	507,813
Peter J. Nightingale	10,660,004	(3,997,500)	1,030,294	7,692,798
Key management personnel	Held at 1 January 2019	Purchased	Held at 31 December 2019	
Thomas J. Mann	6,300,000	-	6,300,000	
Jason M. Beckton	5,256,252	-	5,256,252	
Stephen G. Gemell	-	-	-	
John A. Levings	212,500	100,000	312,500	
Peter J. Nightingale	10,160,004	500,000	10,660,004	

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company during the year and there were no material contracts involving director's interests existing at period end.

PROSPECH LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)

Movement in options

Key management personnel	Held at 1 January 2020	Cancelled	Granted	Held at 31 December 2020
Thomas J. Mann	4,000,000	(4,000,000)	2,500,000	2,500,000
Jason M. Beckton	5,000,000	(5,000,000)	3,125,000	3,125,000
Stephen G. Gemell	-	-	-	-
John A. Levings	2,000,000	(2,000,000)	1,250,000	1,250,000
Peter J. Nightingale	5,000,000	(5,000,000)	3,125,000	3,125,000

Key management personnel	Held at 1 January 2019	Granted	Held at 31 December 2019
Thomas J. Mann	4,000,000	-	4,000,000
Jason M. Beckton	5,000,000	-	5,000,000
Stephen G. Gemell	-	-	-
John A. Levings	2,000,000	-	2,000,000
Peter J. Nightingale	5,000,000	-	5,000,000

Refer note 11 for the fair value of options granted to key management personnel.

NOTE 16 – FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments comprise deposits with banks, receivables, trade and other payables and from time to time short term loans from related parties. The Group does not trade in derivatives.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The primary responsibility to monitor the financial risks lies with the Managing Director and the Company Secretary under the authority of the Board.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets

	2020	2019
	\$	\$
Cash and cash equivalents	4,514,982	404,266
Trade and other receivables	57,961	30,406
	4,572,943	434,672

The Group's maximum exposure to credit risk at the reporting date by geographic region was:

	2020	2019
	\$	\$
Australia	4,524,660	373,437
Slovakia	48,283	61,235
	4,572,943	434,672

At 31 December 2020, the Group held cash and cash equivalents of \$4,514,982 (2019 - \$404,266), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's. Credit risk of trade and other receivables is very low as it consists primarily amounts recoverable from the Australian Taxation Authority and Slovakian taxation authorities.

Impairment losses

No impairment has been taken up against the Group's financial assets.

None of the Company's or Group's trade and other receivables are past due.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and five years \$	More than five years \$
31 December 2020					
Trade and other payables	136,890	136,890	136,890	-	-
	136,890	136,890	136,890	-	-
31 December 2019					
Trade and other payables	397,063	397,063	397,063	-	-
	397,063	397,063	397,063	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is Australian dollars. The Group is exposed to foreign currency risks due to the fact that the functional currency of its Slovakian operating subsidiaries is in Euros and that it holds a portion of its cash in Euros.

	31 December 2020		31 December 2019	
	Foreign currency	\$	Foreign currency	\$
Euros				
Cash at bank	€26,308	41,748	€33,292	53,161

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
EUR to AUD	1.6549	1.5993	1.5869	1.5968

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

For the year ended 31 December 2020, if the exchange rate between the Australian dollar to the Euro had moved, with all other variables held constant, the impact on post-tax loss and equity would have been affected as follows:

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Currency risk (Con't)

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2020 \$	Post tax loss (Higher)/Lower 2019 \$	Total equity (Higher)/Lower 2020 \$	Total equity (Higher)/Lower 2019 \$
+ 10% higher AUD to EUR exchange rate	858	4,208	858	4,208
- 5% lower AUD to EUR exchange rate	(429)	(2,104)	(429)	(2,104)

Market risk

Market risk is the risk that change in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	2020 \$	2019 \$
Financial Assets		
Cash and cash equivalents	<u>4,514,982</u>	<u>404,266</u>

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the year by an immaterial amount.

Capital management

The Board's policy is to raise capital sufficient to meet its project earn-in expenditure commitments and advance the exploration program on the Slovakian projects.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Company and the Group, for the year ended 31 December 2020, approximate their fair values, given the short time frames to maturity and or variable interest rates.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 17 – SUBSEQUENT EVENTS

There have been no matters arise in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 18 – FINANCIAL REPORTING BY SEGMENTS

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items relate to corporate operations in Australia and comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year in that geographic region.

Geographical segments

For the year ended 31 December 2020, the Group had one segment, being mineral exploration in Slovakia. The Group has one reportable geographical segment as follows:

	Slovakia	Unallocated	Total
	\$	\$	\$
31 December 2020			
External revenues	8,994	-	8,994
Reportable segment loss before tax	111,264	1,286,789	1,398,053
Interest income	-	25	25
Reportable segment assets	6,023,706	4,526,478	10,550,184
Reportable segment non-current assets	5,972,550	-	5,972,550
Reportable segment liabilities	61,557	75,333	136,890
	Slovakia	Unallocated	Total
	\$	\$	\$
31 December 2019			
External revenues	-	-	-
Reportable segment loss before tax	62,649	332,177	394,826
Interest income	-	1,697	1,697
Reportable segment assets	5,266,854	373,437	5,640,291
Reportable segment non-current assets	5,203,689	-	5,203,689
Reportable segment liabilities	105,243	291,820	397,063

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 19 – PARENT ENTITY DISCLOSURES

As at, and throughout the year ended 31 December 2020 the parent entity of the Group was Prospech Limited.

	2020	2019
	\$	\$
Result of the parent entity		
Net loss	<u>1,340,156</u>	881,442
Total comprehensive loss	<u>1,340,156</u>	881,442
Financial position of the parent entity at period end		
Current assets	4,524,660	373,437
Non-current assets	<u>2,553,930</u>	1,852,751
Total assets	<u>7,078,590</u>	2,226,188
Current liabilities	<u>75,334</u>	291,820
Total liabilities	<u>75,334</u>	291,820
Net Assets	<u><u>7,003,256</u></u>	1,934,368
Equity		
Share capital	12,081,396	6,767,823
Reserves	1,499,261	403,790
Accumulated losses	<u>(6,577,401)</u>	(5,237,245)
Total Equity	<u><u>7,003,256</u></u>	1,934,368

At balance sheet date the company has no capital commitments or contingencies.

NOTE 20 – AUDITOR REMUNERATION

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2020	2019
	\$	\$
Statutory Audit		
<i>Auditors of the Company</i>		
Audit of financial reports - KPMG	<u>54,000</u>	61,200
	<u><u>54,000</u></u>	61,200

NOTE 21 – COMMITMENTS AND CONTINGENCIES

At 31 December 2020 the Group does not have any commitments or contingencies.

PROSPECH LIMITED
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DIRECTORS' DECLARATION

In the opinion of the Directors of Prospech Limited ('the Company'):

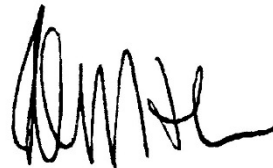
1. (a) the financial statements and notes set out on pages 24 to 52 and the Remuneration Report on pages 18 to 22, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2020.

Signed at Sydney this 30th day of March 2021

in accordance with a resolution of the Board of Directors:



Thomas J. Mann
Chairman



Peter J. Nightingale
Director



Independent Auditor's Report

To the shareholders of Prospech Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Prospech Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined the matter described below to be a Key Audit Matter.

Capitalised exploration and evaluation expenditure - \$5,960,567

Refer to Note 8 to the financial report

The key audit matter	How the matter was addressed in our audit
<p>Capitalised exploration and evaluation expenditure (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of E&E activities to the Group's business, with the balance of capitalised E&E expenditure being 57% of total assets; and the greater level of audit effort required to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (AASB 6), in particular, the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> The determination of the areas of interest (areas); 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the requirements of AASB 6; We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes; Assessing the Group's current rights to tenure for each area of interest by corroborating the ownership of the relevant licence to government registers or other underlying documentation such as agreements in place with third parties. We also tested for compliance with licence conditions, such as minimum expenditure requirements on a sample of licenses; We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to invoices from third parties or other underlying documentation; For the sample identified above, checking the nature of the expenditure for consistency with its classification as exploration and evaluation assets in accordance with the Group's accounting policy and the requirements of the accounting standard;

<ul style="list-style-type: none"> • Documentation available regarding rights to tenure, via licensing and compliance with relevant conditions, to maintain current rights to an area of interest and the Group’s intention and capacity to continue the relevant E&E activities; and • The Group’s determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focussed on those that may draw into question the commercial continuation of E&E activities for each area of interest where significant capitalised E&E exists. We paid particular attention to:</p> <ul style="list-style-type: none"> • The strategic direction of the Group and their intent to continue exploration activities in each area of interest; • The ability of the Group to fund the continuation of activities in each area of interest; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest. 	<ul style="list-style-type: none"> • Testing the completeness of exploration and evaluation expenditure recorded in the twelve-month period by checking payments recorded since 31 December 2020 for evidence of the timing of the transactions. For this procedure, we selected our sample from the Group’s payments since balance date, trade payable schedule and unprocessed invoices post balance date, and the underlying documentation of the transaction; • We analysed the Group’s determination of recoupment through successful development and exploitation of the area by evaluating the Group’s documentation of planned future/continuing activities including work programmes and project and corporate budgets for each area of interest; • Evaluating Group documents, such as minutes of Directors meetings and the Group’s cash flow projections, for consistency with their stated strategic intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key personnel; • We compared the results from the Group’s publicly available exploration and evaluation activities regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard; and • We obtained project and corporate budgets identifying areas with existing funding. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities.
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Other Information

Other Information is financial and non-financial information in Prospech Limited’s annual reporting which is provided in addition to the Financial Report and the Auditor’s Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Prospech Limited for the year ended 31 December 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 18 to 22 of the Directors' report for the year ended 31 December 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Jeff Frazer
Partner

Brisbane
30 March 2021

PROSPECH LIMITED
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ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 February 2021.

Distribution of Equity Securities

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	7	1,421
1,001 to 5,000	36	145,544
5,001 to 10,000	73	678,279
10,001 to 100,000	220	9,750,469
Above 100,001	131	77,722,880
	467	88,298,593

The number of shareholders holding less than a marketable parcel is 14.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

N°	ORDINARY SHARES SHAREHOLDER	Number of Shares	Total %
1	Robust Resource Pte Ltd	8,906,250	10.09
2	Rosignol Pty Ltd <Rosignol Super Fund A/C>	5,625,000	6.37
3	1147 Pty Ltd <TJ & CJ Mann S/F Penn A/C>	4,418,749	5.00
4	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	3,784,392	4.29
5	Jason Michael Beckton + Denise Lea Gledhill <Beckton Gledhill Family A/C>	3,750,002	4.25
6	James Norman Cran	3,125,002	3.54
7	Wapimala Pty Limited <Lonergan Super Fund A/C>	2,937,500	3.33
8	Rigi Investments Pty Limited <The Cape A/C>	1,893,614	2.14
9	Mrs Susan Holt	1,750,000	1.98
10	Lonergan Foundation Pty Limited <Lonergan Foundation A/C>	1,625,000	1.84
11	Rosignol Consultants Pty Ltd	1,381,250	1.56
12	Lorraine Alyssa Goldsmith	1,250,002	1.42
13	D&J Redelman Pty Ltd <David&Judi Redelman Sup A/C>	1,250,000	1.42
14	Timo Jaakko Kamarainen	1,199,219	1.36
15	Mr Juha Saarela	1,193,442	1.35
16	Holicarl Pty Limited <Hunter Grain S/F A/C>	1,000,000	1.13
16	Lonergan Foundation Pty Ltd <Lonergan Foundation A/C>	1,000,000	1.13
16	Wapimala Pty Limited <Lonergan Super Fund A/C>	1,000,000	1.13
19	Mr Stephen Kam Lo Tong + Mrs Patsy Lin Hap Tong <Biialla Super Fund A/C>	950,000	1.08
20	CRX Investments Pty Limited	875,000	0.99
Total in Top 20		48,914,422	55.40

PROSPECH LIMITED
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ADDITIONAL ASX INFORMATION

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	N° of Shares Held	% of Issued Shares
Robust Resources Pte Ltd	8,906,250	10.0
Peter James Nightingale	7,692,798	8.7
Thomas Joseph Mann	4,418,749	5.0

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

Tenement Schedule

Project	Tenement number	Interest %
Hodrusa-Hamre Exploration Licence		100%
Nova Bana Exploration Licence		100%
Rudno Exploration Licence		100%
Pukanec Exploration Licence		100%
Jasenie Exploration Licence		100%
Cejkov-Zemplin Exploration Licence		100%

PROSPECH LIMITED
and its controlled entities
CORPORATE DIRECTORY

Directors:

Thomas Mann
Jason Beckton
Stephen Gemell
John Levings
Peter Nightingale

Company Secretary:

Richard Edwards

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone : 61-2 9300 3333
Fax : 61-2 9221 6333
Email : info@prospech.com.au
Website : www.prospech.com.au

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Share Registrar:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Phone : 1300 787 272
Overseas Callers : 61-3 9415 4000
Fax : 61-3 9473 2500